

CIA HISTORICAL REVIEW PROGRAM RELEASE AS SANITIZED

~~SECRET/NOFORN~~

ROUTING FORM
Doc. No.:

Date:

2003

Indicate title of person to take action and that of the originator. Place comments thereunder by numbered paragraphs. Initial in center of page and draw a line across the page and forward. Each recipient is to repeat above procedure until action is completed and ready for filing. This cover sheet must be retained with enclosure.

TO

FROM

DATE

C/P

Scranton cp (2 copies - orig + 1cc)

15 Feb

OC/8

to

[]

Believe [] have handled this difficult situation with considerable professionalism and comments are "well done". While he is at LINC I'd like to have him function as Ops Officer for both SCRANTON and SHEPWOOD. []

[]

Scr/z

8

27 Feb

~~SECRET~~
~~PBSUCCESS~~

~~RYBAT~~

MEMORANDUM FOR THE SCRANTON FILE

5 February 1954

SUBJECT: Report on Scranton Operation - 25 January to 3 February 1954.

DISCUSSION:

1. Following paragraphs and attachments set forth subject report as indicated below:

- a. Paragraphs 2 - 12 : Detailed Narrative Report
- b. Paragraph 13 : Synopsis of Favorable and Unfavorable Factors affecting Scranton Operation
- c. Attachment 1 : Communications Diagram
Contact Plan Between Middlecott and []
[]
Contact Plan Between Middlecott and Raul Sierra and Between Lincoln and Raul Sierra
- d. Attachment 2 : Summary Scranton Finance
- ~~e. Attachment 3 : Scranton Site Layout~~

2. Background: Merton had arrived at 0030 hours on 23 January in Miami from Headquarters travelling under type name inasmuch as he already possessed a return trip ticket under that name. Middlecott arrived later the same day, at about 1430 hours, travelling under his alias. Both men passed the time until 25 January at Lincoln Station in settling last minute affairs, sterilizing their personal effects, and obtaining reservations and tickets for the trip to Managua.

3. Obtaining reservations and tickets from Miami to Managua: On 24 January, both Middlecott and Merton obtained their reservations and tickets in alias (see Memorandum for Scranton File, 8 February 1954) for departure on [] for Managua on [] January at [] hours. Although no ultimate difficulty was experienced in obtaining the tickets, some delay was occasioned by the fact that said tickets were obtained on a Sunday when Pan American Airways ~~had~~ apparently unskilled personnel on duty. About two hours were consumed by these employees in looking up the appropriate regulations, schedules, prices, etc.. Part of the difficulty was caused by the discovery that PAA could not confirm reservations beyond El Salvador to Managua for the same day. Middlecott and Merton therefore obtained confirmed reservations on connecting [] out of San Salvador, which was scheduled to overnight at Tegucigalpa, Honduras, and continue early the next morning to Managua. Since reservations on [] could be confirmed all the way through to Managua, it was not necessary for Merton and Middlecott to obtain travel documents for either El Salvador or Honduras. Merton and Middlecott requested that their (alias) names be placed on a wait list for confirmed reservations out of San Salvador directly to Managua

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

~~SECRET~~
PBSUCCESS

~~RYBAT~~

- 2 -

on L the same day, 1 January. On arrival at the Miami airport, 1 January, Merton and Middlecott learned that they could be given confirmed reservations from San Salvador to Managua on E. The latter choice was preferable and was taken in view of the contact plans cabled by Lincoln (LINC 217) which were to go into effect as of 25 January. It is to be noted that neither Middlecott nor Merton were asked to display any sort of documentation in filling out the necessary information required for the Nicaraguan tourist card, in spite of the fact that both Merton and Middlecott made a point of asking what documents were required, both for obtaining a Nicaraguan tourist card and for re-entry into the United States.

4. Departure and trip details:

a. Immediately prior to departure, Merton bought fifty thousand dollars worth of insurance covering the round trip by air from Miami to Managua under his alias, giving his beneficiary as his mother (since under his alias he was single) and giving as his mother's address the address of his cover employer. This policy was mailed at the airport by Merton personally. It was Merton's intention that his true beneficiary be his wife. Middlecott did not obtain any such insurance.

b. Stirling PRINCEP was among the passengers embarking on the same flight. No signs of mutual recognition were given. E departed for Havana without incident at E's house,

c. There was a short layover of about 30 minutes at Havana, again no incident being noted.

d. However, upon the arrival of E at San Salvador, it was learned that the connecting flight E had been delayed, and that Middlecott and Merton would be forced to spend about two hours or more at the airport, Ilopango, San Salvador. This period was passed without incident, but immediately following the arrival of the connecting flight, E, Merton noted that one James Collins appeared to be among the incoming passengers. Merton believes that Collins glanced at Merton, who of course was under cover disguise, and acted just a little perplexed as if he had seen Merton somewhere before. (For Lincoln's information, James Collins is an American business man with whom Merton had become acquainted during the latter's tour of duty in Guatemala. Collins was the boyfriend of Miss Alice Robinson or Robertson, aka "Robbie", the roommate of KUBARK secretary to the Station Chief, Guatemala, in 1950 and 1951. Both Collins and "Robbie" are extremely quick-witted and very little information of significance passes over their heads. In view of this background, Merton decided to check the PAA manifests with a view to discovering whether Collins might be on the same flight with himself from San Salvador to Managua. A check of the manifests revealed that Collins was enroute to San Jose, Costa Rica, and would be on the same flight with Merton, which the latter felt would be most undesirable from the point of view of preserving Merton's cover.

~~SECRET~~
PBSUCCESS

~~RYBAT~~

~~SECRET~~
~~PBSUCCESS~~

~~RYBAT~~

e. Merton's decision was to "play sick", leaving the plane at San Salvador, overnighing, and resuming the trip on the same flight on the next day. Merton instructed Middlecott to continue on to Managua and to register at the Lido Palace Hotel and there await Merton's arrival the next day. Merton thereupon went to the female clerk at the PAA desk, informed her that he was sick, and then took a cab into San Salvador. In San Salvador, Merton registered at the Astoria Hotel, immediately obtained the name of a reputable doctor, and took a cab to the doctor's office, where he complained of feeling seriously ill to his stomach. The name of the doctor was Bernard Soto. Dr. Soto examined Merton's "symptoms", asked what Merton had been eating lately, and concluded that Merton was suffering from an upset stomach caused by a combination of air sickness, beer, and highly seasoned hors d'oeuvres served at the airport restaurant. Dr. Soto prescribed overnight rest and medicine. Merton returned to the hotel, sent the prescription out for filling, and went to bed, where he remained until 0600 the following morning, [] January.

f. At about 1900 hours, [] January, Merton was visited in his hotel room by the local San Salvador PAA manager and an assistant with a view to straightening out Merton's irregular entry into El Salvador. At this time Merton really became ill because the local PAA manager turned out to be one Rolando Molenaar, with whom Merton was also well acquainted as a result of Molenaar's and Merton's simultaneous service in Guatemala. Although Merton believes that Molenaar did not recognize him during the visit at 1900 hours, [] January, which was held in a darkened room, he is fairly certain that Molenaar must have recognized him the following morning at 0600 hours, when Merton had to go to the PAA office to settle the irregular entry. Molenaar accompanied Merton to the Immigration authorities in San Salvador and arranged matters so smoothly that Merton was able to depart San Salvador for Managua the following day without incident.

g. The following background is set forth on Rolando Molenaar: Merton recalls that Molenaar, as the right hand man of Jay Wilson, PAA manager in Guatemala in 1951 and 1952. []

[] Merton recalls that at one time Molenaar was married to a known communist, whom he divorced several years ago. []

[] Merton could detect no sign or action on Molenaar's part which would indicate that Molenaar recognized Merton in any way. However, it must be presumed that Molenaar is in fact aware that Merton was travelling under alias. Merton recalls that Molenaar was highly trusted by Jay Wilson, [] Guatemala. Merton recommends that the name Rolando MOLENAAR be checked in KUBARK files for any derogatory information.

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

~~SECRET~~
PBSUCCESS

RYBAT

h. While no official difficulty was experienced in Merton's departure from San Salvador, he was slightly embarrassed to find that a Mr. Gene Sullivan was registered at the Astoria Hotel. Merton, while not a close friend of Sullivan's, was acquainted with him. By using care in his movements, Merton was able to avoid any direct contact with Sullivan, although he saw Sullivan twice at a distance; Merton does not think Sullivan was in any way aware of Merton's presence at the Hotel Astoria.

i. Sullivan is believed by Merton to be the Boodrich Rubber Company Central American representative and to spend much time travelling outside his home office, Guatemala. His wife is Dean Sullivan, an ex-model, who remains in Guatemala while her husband travels his territory. Merton does not recall any derogatory information on either Mr. or Mrs. Sullivan.

j. Merton resumed travel about 1400 hours, [] January, departing Ilopango Airport via [] and arriving Managua without further incident at about [] hours. Upon arriving in Managua, Merton went by PAA airport limousine to the Lido Palace Hotel, where he found Middlecott registered. Middlecott informed Merton that no contact had as yet been attempted so far as he was aware.

5. First Contact: Merton and Middlecott passed the remainder of [] January until about 1800 hours lounging around the Lido Palace dressed as prescribed by contact plan. As of 1800 hours, since no contact had been made, Middlecott and Merton walked up the main street of Managua with the intention of purchasing a map of the city, camera film, etc. Upon their return shortly thereafter, and about one half block from the hotel, Merton and Middlecott were accosted by the driver of a Willys jeep station wagon bearing license plates [] which pulled up along side them and stopped. The driver struck up a conversation with Merton and Middlecott, asking if either knew a person, whose name Merton does not recall, connected with Ashcroft Motors in Norfolk. In the ensuing conversation, the driver authenticated himself by remarking he was always glad to meet a fellow Virginian, to which Merton replied "likewise". Middlecott returned to the hotel while Merton entered the jeep and held a meeting in a moving vehicle. The driver identified himself as one [] remarked that (presumably []) and he, himself, had been a trifle upset over the failure to contact Merton on [] January. It was learned from the conversation that no attempt had been made to contact Middlecott. During this meeting, Merton passed the sum of \$3,325 dollars in a money belt to the cutout for delivery to [] mentioned he had very little time remaining before another contact, so Merton made plans for a telephone contact the following day at 0900 hours, [] January, and got off the jeep about a block from the Lido Palace Hotel. During the evening of [] January, Merton and Middlecott, in keeping with their cover role as tourists, visited the Copacabana and the Casino Olimpico night clubs, returning to the hotel about 1200 hours.

WAG6FFIN

~~RYBAT~~
~~SECRET~~
PBSUCCESS

~~SECRET~~

RYBAT

- 5 -

~~PBSUCCESS~~

6. Contacts with Seekford:

a. The following morning, [] January 1954, Middlecott and Merton lounged around the Lido Palace Hotel waiting for a phone call from [] which never materialized. Later in the morning, while Middlecott and Merton were lounging on the front porch of the hotel, dressed as prescribed by contact plan, they observed a red jeep station wagon pull up to the curb in front of the hotel, chauffeured by a Latin who got out of the jeep, proceeded to the hotel desk, and engaged the desk clerk in conversation. The driver then approached Merton and Middlecott, stating to the former, "Chico me mandó", to which Merton replied, "Ha sido tiempo largo, hombre". The driver introduced himself as one Raul Sierra, and stated that he was to take Merton and Middlecott to Seekford. (A short description of Raul Sierra is herewith set forth: He is about 5'2", 130 pounds, black hair, dark-complexioned Latin appearance, small mustache, quiet but apparently effective personality). Sierra drove to a point about two blocks away from the hotel where Seekford was waiting. Seekford got into the car and a meeting was held in the moving car. After introductions and assignments of field aliases to Merton and Middlecott, he announced that he had arranged for Merton and Middlecott to make a foot reconnaissance of the Scranton site. Enroute to the site, Seekford brought Merton and Middlecott up to date on Scranton and Saranac. Merton mentioned that he had expected a phone call from a cutout at 0900 hours that morning, to which Seekford answered that he had cancelled the call since he was intending to contact me himself the same morning. (Note to Lincoln: It was Merton's belief prior to this that [] was to be Merton's and Middlecott's cutout with the []

b. The party took the road from Managua to Tamarindo, President Somoza's personal finca about 50 kilometers northwest of Managua on the road to Tamarindo. At Tamarindo, the party located [] construction work on a salt flat project some kilometers from the central ranch. []

[] The conversation lasted perhaps five minutes. When Seekford returned, he brought with him a Nicaraguan army lieutenant whom he introduced as [], whom he described as having just been selected [] as liaison with Seekford at the Scranton site. []

[] that he was ready to go ahead with Scranton, to which [] replied, "Go ahead". Seekford then asked for a local liaison officer to be appointed and [] thereupon designated []. According to Seekford, this was the extent of the conversation. []

RYBAT

~~SECRET~~

~~PBSUCCESS~~

RYBAT
~~SECRET~~
PBSUCCESS

c. [] led the reconnaissance party some 15 kilometers along a complicated maze of back dirt roads from the central building of Tamarindo to a point on the Pacific Ocean at approximately 12.3 degrees North - 86.8 degrees West latitude and longitude. The site was extremely isolated, it being necessary to ford a small stream and to traverse a net of finca roads in order to arrive.

d. The Scranton site is situated on a bluff overlooking a small bay approximately 5 kilometers west and south of Tamarindo. The altitude of the site is approximately 150 feet at a rough guess. Buildings at the site include 50' by 30' masonry wall building subdivided into one large 30' by 30' and two twenty by fifteen foot rooms; two large native style construction thatched roofed dwellings; and four or five individual family huts scattered around the east and south periphery of the bluff. [] led the party on a foot reconnaissance of the area, pointing out the locations of a wall, the purposes of the various dwellings, the presence of a permanent guard detail, and miscellaneous features of the site. {A continued strong wind blowing out to sea was particularly noticeable during Merton's and Middlecott's entire sojourn at the site}. The party took rough measurements of the masonry building which it was decided would house the trainee candidates, the training equipment, the student commander, and Middlecott and Merton themselves. The nearer to the training building of the two large dwellings possessed a room deemed suitable for the storage of food supplies for the training unit and contained, as well, adequate space to set up a kitchen capable of handling the training unit's needs. ~~For aid in visualizing the layout of the Scranton site and training building, a rough sketch is given in Attachment 3.~~

e. [] personally introduced the party to [] head of the guard detail permanently detailed at the site. The guard detail is comprised of about five men in all, each of whom lived in one of the small individual family huts with wife and family.

f. The site was pronounced satisfactory by both Merton and Middlecott. Before departure, estimates were made of the kind and amount of lumber needed to set up the training tables, the electric light system, quarters for the trainees, miscellaneous tables, chairs, etc. These figures were given to Raul Sierra, and it was decided that he would purchase the necessary materials on the following day.

g. Following the end of the reconnaissance, the party and [] returned to the Tamarindo ranch house, where the party itself thereupon departed for Managua, arriving late in the afternoon. Upon the party's return to Managua Seekford and Sierra dropped Merton and Middlecott off about three blocks from their hotel after making arrangements for a meeting later on that evening.

RYBAT
~~SECRET~~
PBSUCCESS

~~SECRET~~ RYBAT
~~PBSUCCESS~~

h. Merton and Middlecott returned to their hotel on foot, ate dinner, and at seven P. M. sharp were picked up by Sierra in Seekford's jeep at a pre-designated street corner. This meeting was held at Seekford's personal apartment and lasted for about one hour, until shortly after 2000 hours. This meeting was terminated by the arrival of Seekford's landlord who dropped in to pay his respects to Seekford. Seekford introduced Merton and Middlecott as tourist friends.

i. For Lincoln's information, Seekford's apartment consisted of two and one-half rooms situated at the rear of his landlord's blue (the only such color in the neighborhood) house which stands directly across the street from the approximate center of the north side of the military airfield Fuerzas Aereas Nacionales, FAN, on the east side of Managua. Seekford's landlord is apparently engaged in the tractor business, since the entire rear yard of the landlord's house was filled with tractors.

j. Following the departure of Seekford's landlord at about 2300 hours, the meeting place was transferred to Seekford's office about one-half block west and one-half block north of Seekford's apartment. Seekford gave the name of the office as [redacted]. [redacted] is a six room one story yellow painted house set on the west central end of a large rectangular lot estimated to be about one hundred feet street front by about sixty feet deep. The street front of the lot is completely closed off from the street by a yellow wooden picket fence. There are two gates, one for persons, and one across a vehicle driveway. Inside the house, a small room on the extreme western end has been set off as the "office" proper. There is one entrance to this office which is secured by a key-type padlock when the office is not in use. Inside the office there is a closet which is kept locked at all times and which is used to store strong boxes and sensitive materials.

k. In a large room adjoining the office, it was noted that a radio transmitter and receiver occupied one corner of the room. The transmitter was a Hallicrafter HT-20, while the receiver was one of the small Halli-crafter models. It is Merton's recollection that it was remarked that this radio had recently been installed for the purpose of providing communications between [redacted] and Calligeris in Tegucigalpa but that no such communication has yet been instituted. Merton and Middlecott immediately brought up the problem of communication security in the use of such equipment and were assured by Seekford that careful consideration would be given to such problems before the equipment would be used to provide communications between Tegucigalpa and Managua, and further, that Seekford considered that this was a problem which could be solved by Merton and Middlecott. It was noted that one of the personnel at [redacted] was using the equipment to communicate on an amateur band.

l. Personnel associated with [redacted] on a regular basis appeared to number four, Raul Sierra, and three unidentified Guatemalans, one of whom acted as chauffeur for a stake body truck used by the office, one who operated the radio and was introduced as having electronic technician's background, and the third whose only function appeared to be that of a permanent watchman.

~~SECRET~~ RYBAT
~~PBSUCCESS~~

RYBAT

SECRET

PBSUCCESS

- 8 -

m. Vehicles apparently associated with [redacted] included one 1½ ton stake body truck, one red Willys Jeep Station Wagon, which Seekford said was his personal property, and a black Chevrolet panel type pickup truck which Raul Sierra said had just arrived from El Salvador or Honduras on 28 January. Merton believes he recalls Seekford stating that [redacted] was rented by [redacted].

n. The remainder of the meeting begun at Seekford's apartment was held in the office at [redacted] until about 0030 hours the following morning, 29 January. Plans were laid for 28 January. It was decided that Raul Sierra would buy sufficient equipment, lumber and supplies to take care of Merton and Middlecott for about four days, the period covering 29 January to 2 February. Merton was informed that additional trainee candidates would arrive in Managua on 1 February, making a total of five or six who would be transported to Scranton site the morning of 2 February, Tuesday. In the meantime, Merton and Middlecott would proceed to the Scranton site on 29 January. The equipment and supplies purchased by Sierra on 28 January were to be loaded on the trucks on the evening of 28 January and be ready to go to the Scranton site the following morning, probably departing around 0600 hours. Merton and Middlecott were to be flown to the site later in the morning so as to afford both of them an aerial reconnaissance of the site. The plane to be used was a Cessna registered in the name of Jorge Isaac Delgado, Panamanian Commercial Attache and one of Calligeris' men. Seekford said that his local cover story was that he was taking flying lessons from [redacted] (see paragraph 6 S) below) in this plane and was interested in beginning a small air transport line. Merton and Middlecott planned to utilize the delay of four days until the arrival of the trainee candidates at Scranton site in setting up the site, establishing radio communications with KUBARK headquarters and Lincoln, and determining first hand the ~~type~~ items that would be needed to insure effective operation of the site.

o. The meeting concluded at about 0030 hours 28 January, as Seekford had a contact coming up at about 0100 hours. Merton gave Seekford a white business size envelope containing radio agent training material written in the Spanish language for passing to the [redacted]. Merton also requested Seekford to ask the [redacted] to notify Headquarters and Lincoln by cable of the receipt of the money previously passed to the latter. Merton and Middlecott thereupon returned to their hotel to a point several blocks from the hotel, Seekford furnishing transportation in his jeep station wagon. Before departing, a contact plan was set up for the following day.

p. The following day, 29 January, Merton and Middlecott walked up town and took a taxi to [redacted] to meet Seekford as planned for about 1100 hours. The arrival of a black panel bodied Chevrolet pickup bearing Honduran or Salvadoran license plates was noted while awaiting Seekford. Middlecott and Merton were later told by Sierra that this truck had just arrived from Honduras or El Salvador and bore couriers. When Seekford did not show up, Middlecott and Merton, utilizing appropriate security precautions against surveillance, returned to their hotel for lunch. Middlecott and Merton returned to [redacted] at about 1300 hours, 28 January, and were informed by Raul Sierra that Seekford was momentarily expected.

RYBAT

SECRET

PBSUCCESS

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

q. Upon Seekford's return shortly thereafter, he passed Merton and Middlecott a typewritten contact plan prepared by []

[] Seekford remarked at this time that he had encountered considerable red tape in getting the Scranton gear released from storage. Seekford also brought with him from the [] the sum of 2,950 dollars worth of Scranton funds which were deposited with Merton's approval in Seekford's strong box. The contact plan as prepared by the [] is set forth in Attachment 1. A discussion was held concerning the running of the Scranton operation, and it was decided that Raul Sierra would open a set of books on Scranton similar to the set he was already maintaining on the Saranac operation. Merton advanced Sierra the sum of 1,500 U. S. dollars, for Sierra's use in making the initial purchases of Scranton's supplies, and for the future purchase of necessary supplies and equipment. A summary of the Scranton financial situation is given in Attachment 2. Sierra was to maintain these funds in a second strong box which he was to use for both Saranac and Scranton funds.

r. After confirming the plans for the following day, 29 January, Merton and Middlecott returned to their hotel, arriving at about 1600 hours. Upon arrival, the Lido Palace desk clerk handed Merton a sealed envelope containing an invitation to meet "Willys" at the El Patio restaurant at 1500 hours. Although it was already 1600 hours, Merton and Middlecott went on down to the El Patio but failed to make contact. The context of the note indicated it to be from [] Merton mentioned this attempted contact to Seekford but does not recall Seekford's comment. At about 2200 hours, Raul Sierra got Merton out of bed and informed that there had been a change of plans which Seekford desired to discuss before the latter's departure for ODYOKE. Seekford now planned to take the [] plane to Panama, on the morning of 29 January, and the Cessna pilot, [] would be engaged in hauling supplies to the Saranac operations during the entire morning of 29 January.

s. [] was present at this meeting. He is described as a solidly built man of about one hundred and eighty-five to two hundred pounds, face somewhat resembling a short-chinned fat faced apologetic Victor McLoughlin (movie actor), giving the impression of a man of weak character who might talk indiscreetly under the influence of alcohol and flattery. Middlecott was not present at this late hour meeting and has never been directly introduced to [] However, [] has had at least two opportunities to observe [] and Merton and Middlecott together, both times at the bar of the Gran Hotel. On both occasions, Middlecott and Merton observed that [] appeared to be a popular person among the habitués present in the bar lounge of the Gran Hotel. He flitted from table to table like a butterfly. At one time he was noted to engage in a half-hour conversation with a couple, possibly of Dutch origin, whose expressions indicated that every word falling from [] lips was heavenly ambrosia. Merton does not entertain such high regard for [] personality and conversational gifts. Merton does not

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

~~RYBAT~~
~~SECRET~~
PBSUCCESS

mean to imply that [] is in any way connected with responsibility for the flap, but Merton does wish to point out that in his opinion [] is a definite personality type susceptible to making indiscreet remarks under the influence of liquor and flattery.

t. Regarding the change in the old plan and the necessity for the new plan for 29 January, Merton did not fully understand all the implications but merely followed Seekford's general direction. Seekford was at all times very careful to give Merton and Middlecott all possible assistance in accomplishing their mission. The new plan involved Merton's and Middlecott's riding in the black panel Chevrolet pickup truck and the stake body truck to Scranton, scheduled departure to be at about 0830 hours the morning of 29 January. The trucks were to be unloaded at the Scranton site and returned to Managua. Seekford's jeep and the stake body truck were to make a second trip on 30 January with additional supplies and material, including the necessary lumber to convert the masonry building into two offices and a training room. It was planned that the jeep be left at the Scranton site to perform local and emergency transportation, while the truck would return to Managua after unloading. Leaving the jeep at Scranton would serve the additional purpose of "cooling it off" since Seekford had used it extensively in his operations. Also planned for about 0800 hours the morning of 30 January was a flight by [] from Managua to the Scranton site for the purposes of locating a landing strip near the site, giving Merton and Middlecott an aerial reconnaissance of the site, and filling any emergency requisitions that had developed between noon, 29 January, and the plane's arrival the morning of 30 January. Upon the plane's return to Managua, it was planned that [] deliver it to Costa Rica or Panama (Merton does not recall which), for a periodic engine and plane check-up. Following the checkup, [] as scheduled to fly to the Scranton site on the morning of 2 February. When the new plan had been arranged and modified to the satisfaction of all present, Merton returned to a point near his hotel, from where he returned by foot to his hotel and acquainted Middlecott with the details of the new plan.

7. 29 January:

a. At about 0700 hours, 29 January, Merton and Middlecott settled their account at the Lido Palace, giving the desk clerk the impression that they were "visiting" in Managua, left their baggage packed and near the front door of the hotel, and walked up town. Having checked for possible surveillance, Merton and Middlecott took a cab from downtown Managua to a point near [] and proceeded directly to the office. Upon arrival at about 0800 hours, all appeared to be in order. Raul Sierra informed Merton and Middlecott that Seekford had departed as scheduled at 0530 hours that morning, 29 January. The stake body truck had been sent on ahead to the Scranton site shortly before Merton and Middlecott's arrival, and all that remained was to take the black panel Chevrolet to downtown Managua, make a few last minute purchases, and depart for the site. Upon completing the purchases, Merton and Middlecott split up, Middlecott remaining with the panel truck, and Merton taking a cab from downtown Managua to the hotel where

~~RYBAT~~
~~SECRET~~
PBSUCCESS

~~RYLAT~~
~~SECRET~~
~~PBSUCCESS~~

he picked up Merton's and Middlecott's baggage. Upon picking up the baggage, Merton directed his driver to proceed to a point which had been prearranged with Middlecott. Middlecott and Sierra in the black panel Chevrolet convoyed Merton enroute to the predesignated point in an effort to detect possible surveillance. At this point, Merton dismissed his cab and awaited the arrival of Middlecott and Sierra. Since no surveillance had been detected, Middlecott and Sierra picked up Merton and the baggage and the party proceeded to the Scranton site, arriving at about 1100 hours. Upon arrival at the Scranton site, all materials and equipment were immediately unloaded, placed in the masonry building, and the trucks sent back to Managua.

b. Merton and Middlecott immediately began to unpack the equipment, and passed the remainder of the day in setting up the power generators, installing temporary wiring, and assembling one agent radio set for use in establishing communications with KUBARK headquarters the following day, 30 January. The party had arrived at the site too late for schedules to be kept on 29 January. The equipment was apparently secure after its storage with

[]

8. 30 January 1954:

a. The morning of 30 January was spent in awaiting the arrival of [] in the Cessna, which never materialized, and in erecting a transmitting antenna, unpacking sensitive material necessary to establish communications with KUBARK headquarters, and testing the radio equipment for workability. These activities consumed most of the morning until about 1156 hours, the time appointed for the first radio contact.

b. Contact was made on schedule, and although YOGURT, KUBARK base radio at Headquarters, reported Scranton signal strength as QPK 1 (barely or unreadable), Scranton message number 001 was passed after about one and one-half hours work. The contact and message were handled by Middlecott.

c. Just as the transmission of Scranton 001 was completed about 1200 hours, the truck and jeep arrived from Managua bearing a message from Sierra for Merton and Middlecott to pack up their personal baggage and return most urgently to Managua. None of the material scheduled to arrive on this trip was actually delivered, with the exception of about fifteen "tijeras" or cots. Upon unloading these cots, the truck immediately departed for Managua, while the jeep station wagon awaited Merton and Middlecott. Neither chauffeur was able to give any details or explanations as to why it was necessary to pack up and depart so precipitately. In view of the unusual circumstances, Merton and Middlecott delayed their departure for Managua until Scranton 002 could be passed, sensitive materials packed up, and remaining Scranton equipment locked up in the masonry building. The delay visibly distressed the chauffeur of the jeep. Middlecott and Merton finally made their departure at about 1545 hours, 30 January.

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

~~SECRET~~
~~PBSUCCESS~~

d. The return trip was made without incident except for passing a big dark Buick about ten or fifteen kilometers outside of Managua. This incident is noted because both Merton and Middlecott are in agreement that they noticed the occupants of the Buick attempted to turn their faces away from the passing jeep as if to avoid identification or deny interest in the occupants of the jeep. Merton and Middlecott further agreed that one of the occupants of the Buick was a young lady, possibly European, who apparently had a job at the Lido Palace Hotel. No surveillance was noted however.

e. Stopping the jeep some distance away from the [] Merton made a foot reconnaissance of the office situation, judged that it could be entered securely, and waved in Middlecott and the jeep containing the sensitive materials. Present in [] at the time of Merton's and Middlecott's arrival were the stake truck's chauffeur and the permanent house guard. At this time the stake truck chauffeur explained to Merton that the Scranton and Saranac operations had been exposed in the newspapers. The chauffeur added that Sierra should have returned to the office by now, approximately 1645 hours, and that he did not know Sierra's whereabouts. Merton sent the stake truck's chauffeur out to procure ~~a copy of one of~~ the newspapers carrying the expose. The chauffeur returned about one hour later bearing a copy of Las Novedades for 30 January.

f. Las Novedades carried practically the entire copy story of [] operations, headed by screaming black headlines, leaving no doubt that a flap of major proportions had occurred. In view of Merton's personal identity situation, and of the sensitive material which Merton and Middlecott were carrying, the latter two moved to dissassociate themselves and the sensitive material from []. This was accomplished by moving Merton and Middlecott, their personal baggage, and the sensitive material to a small hotel called El Sevilla. Raul Sierra had not returned as of the time of this move, perhaps at about 1845 hours, 30 January.

g. After registering at the Sevilla, Merton and Middlecott discussed the situation. and decided to use the emergency contact plan with the cutout, [] to the [] for the purpose of depositing the sensitive materials to the KUBARK station if it could be done securely. Rice's home was located by inquiry at [] and, observing suitable security precautions, Middlecott and Merton ~~and the sensitive material~~ proceeded directly to [] house, taking the sensitive material with them and arriving at perhaps 2100 hours. Unfortunately, [] was not at home. Since [] house was some fifteen or more kilometers outside of Managua proper, it was necessary for Merton and Middlecott to return to Managua ~~via~~ in a taxi. Upon arrival in Managua, Merton and Middlecott wrote up a situation report, and the two split up, Middlecott making another attempt to deliver the sensitive materials and the situation report to [] while Merton made an emergency contact with Sierra. Middlecott succeeded in contacting the cutout, securely passed the sensitive material and situation report, and returned to the Hotel Sevilla at about 2230 Hours.

RYBAT
~~SECRET~~
~~PBSUCCESS~~

RYBAT
SECRET
PBSUCCESS

h. Meanwhile, Merton succeeded in making an emergency contact with Sierra and spent about one hour at the [] office discussing the situation. Sierra informed Merton that Pivall's operation at about 1000 hours, 30 January, [] Seekford's liaison with [] had approached Sierra almost simultaneously with the appearance of the expose in the newspapers and relayed Somoza's orders to evacuate the Saranac operation, to [] Sierra immediately evacuated Pivall by baby launch to Managua where the latter registered at the Gran Hotel under his cover. Sierra rented a large launch, and proceeded with the evacuation as ordered. Sierra informed Merton that evacuation of the first half of Pivall's operation was already under way and that total evacuation would be completed by 0600 hours, 31 January. Sierra said he had been informed [] through liaison [] that [] the storm would soon blow over and that training could be resumed, perhaps at a new [] site; that [] had decided to leave the Scranton gear as it was, for the time being, since the site was extremely well isolated and under a guard permanently detailed to the site; that [] felt that if the Guatemalan Government demanded an investigation, he could delay such investigation until it was possible to move the Scranton gear to another site and sterilize the old site. Sierra had also sterilized the [] office as detailed in []. Sierra stated that the trainee candidates scheduled to arrive in Managua would be stopped automatically; that the Cessna plane had been grounded [] and that Delgado could not be located. Merton instructed Sierra to cooperate with []

9. 31 January:

a. The above information and recommendations pertaining thereto were passed to the cutout with [] about 0900 hours, 31 January and forwarded in []. The contents of LINC 307 were received at this time and contents noted. In view of the information which was being passed to Headquarters and Lincoln by Pivall, Merton and Middlecott, it was decided to set up a plan to execute the orders contained in LINC 307 and to ask Lincoln for approval and instructions to implement the plan upon receipt by Headquarters and Lincoln of the above information and recommendations, and digestion thereof. Following the meeting with [] Merton and Middlecott returned to their hotel, using appropriate security precautions.

b. Sierra did not make contact during the morning of 31 January, and desirous of maintaining contact with the current situation, at approximately 1400 hours, Merton activated an emergency contact with Sierra and met him at approximately 1700 hours in the vicinity of the Sevilla Hotel. At this time Sierra informed Merton that the evacuation of Saranac had been completed and the [] been completely sterilized: that Saranac men and equipment were safely and securely installed in [] (See Pivall's reports for details); []

RYBAT
SECRET
PBSUCCESS

RYBAT
~~SECRET~~
PBSUCCESS

- 14 -

that [] had sent additional guards to the Scranton Site and had strengthened the locks on the building; that [] more than ever was convinced that the storm would die out and training resumed shortly; and that [] had inquired as to the disposition of the three instructors, meaning Merton, Middlecott and Pivall, and had indicated his approval of the actions taken by them. In view of the contents of LINC 307, Merton instructed Sierra to request that either: (1) Merton and/or Middlecott be allowed to pick up the radio equipment from the Scranton site, which was expensive, needed special attention, and would cost the company a great deal of time and effort to replace, and keep it under Merton and/or Middlecott's personal control; or (2) Merton and Middlecott transfer said radio equipment to [] along with the Saranac personnel and equipment. Sierra said that he had already discussed the problem of moving the Scranton equipment with [] and that the great objection at the present moment was a desire to have as little movement as possible of personnel and material along the roads in the [] neighborhood. Merton agreed that this was a legitimate objection but pointed out that only one trip would be necessary to transfer the radio equipment in question and that such a trip could be made very late at night or early in the morning so as to avoid possible observation by the opposition. Merton instructed Sierra to press the point with []. Merton also brought up the possibility that Sierra might open a safe deposit box for storage of the company funds so that the [] office could be perfectly sterile. Sierra said he would look into this matter. This meeting was concluded at about 1800 hours because Sierra had a regular contact coming up with Pivall. The remainder of 31 January was passed by Merton and Middlecott in living cover.

10. 1 February:

a. The morning of 1 February was passed by Merton and Middlecott in living cover. This was General Somoza's birthday and all civic activities came to a halt. At noon Middlecott and Merton made an emergency contact with their cutout and received contents of DIR 36511, instructing that Merton depart Nicaragua soonest via Panama for Lincoln. Merton and Middlecott thereupon made an emergency contact with Sierra and informed him that the company desired Merton's presence elsewhere and that Middlecott was to be left in charge. In view of Middlecott's lack of knowledge of the Spanish language, it was necessary to set up a special contact plan calling for frequent but secure meetings between Sierra and Middlecott for the latter's protection. Details of this contact plan are set forth in Attachment 1. Sierra mentioned that due to celebration of Somoza's birthday, he had found it impossible to make any contact with [] and therefore had gotten no reply as yet regarding the request concerning the radio equipment. Sierra promised to do this soonest. Merton and Middlecott passed the remainder of 1 February discussing the situation, forecasting possible situations and future courses of action. Middlecott requested Merton to inform Headquarters of the difficulties of his situation, particularly his lack of knowledge of the Spanish language. To preserve the tourist cover of both Middlecott and Merton, Middlecott was to explain if necessary that Merton had gone to Panama for a few weeks and expected to be back. Merton purchased a round

~~SECRET~~
PBSUCCESS

RYBAT

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

trip ticket between Managua and Panama and obtained a Panamanian tourist card to lend credence to this story. The tourist card required two photographs which Merton obtained in the photography shop connected with the Gran Hotel. Merton caught the [] plane out of Managua for Panama on [] February, arriving at about [] hours and stopping at the El Panama Hotel until he could make further reservations for Miami. Merton caught the [] plane out of Panama for Lincoln on the morning of [] February, completing travel without incident, arriving at Lincoln at 1645 hours and reporting into Lincoln Station at about 1730 hours, 2 February.

11. Pivall's role during the flap has been reported by him directly to Lincoln and Headquarters. Should disposal problems arise in his termination of [] the following forwarding address for [] was obtained from Sierra by Merton prior to the latter's return to Lincoln:

[]

12. Attachment 1 is a communications diagram showing communications in Managua as of Merton's departure and giving contact plans between various elements.

13. The following is a synopsis of important unfavorable and favorable factors presently affecting Scranton operation as result of flap:

a. Unfavorable factors in order of importance.

- (1) Lack of overall disaster plan with centralized command.
- (2) Several points of contamination still exist, including [] vehicles, airplane, and personnel ^{particularly Sierra} associated with [] at and before the time of flap.
- (3) Number of contacts by Middlecott and/or Merton: (as of Merton's departure)

	Merton	Middlecott
[]	8	6
Seekford	4	3
Seekford's landlord	1	1
Pivall	1	1
Sierra	9	27
(4) Potential disposal problems: [] Delgado.		[] Jorge Isaac
(5) Use of radio by []		
(6) Merton's presumed recognition by Molenaar (paragraph 4, f and g).		
(7) Agent radio equipment exposed to Nicaraguans.		

~~RYBAT~~
~~SECRET~~
~~PBSUCCESS~~

RYBAT
~~SECRET~~
PBSUCCESS

b. Favorable factors, in order of importance:

- (1) Effective and proven cooperation [] during flap, which may be expected to continue as long as all participants demonstrate by their proficiency that the operation merits [] confidence security wise.
- (2) No personal contacts ~~were~~ made between Middlecott and Merton and Jorge Isaac Delgado, aka Chaco. Note: It is possible that Merton may have been observed once at a distance of 40 yards by Chaco on one occasion, but Merton does not believe this to have been sufficient for identification purposes.
- (3) Sensitive materials, such as pads, signal plans, crystals and written training material ~~are~~ intact and stored securely in official installation and ready for resumption of a secure operation at any time.
- (4) No signs detected of surveillance of personnel or installations or contacts.
- (5) Trainee candidates, with one exception, ~~were~~ not on scene at time of flap and ~~are~~ thus uncontaminated.
- (6) Acceptance by Calligeris in principle of use of polygraph methods.

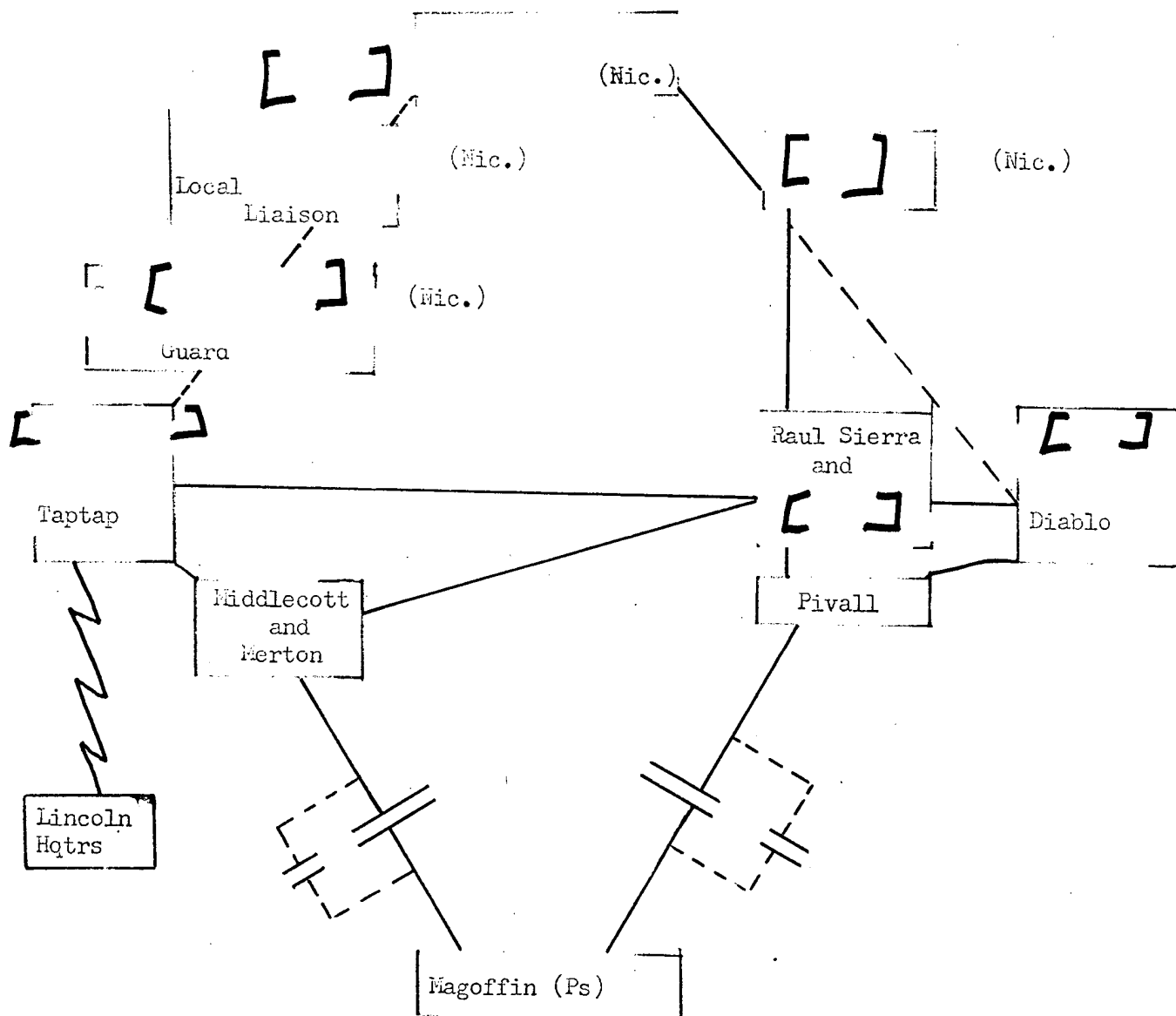
13 February 1954.
.nj1

[]

RYBAT
~~SECRET~~
PBSUCCESS

~~SECRET~~ RYBAT

COMMUNICATIONS DIAGRAM



Note: Field cryptos have been assigned to Middlecott, Merton, Pivall and Seekford for use in "company" business. These are recorded in Memo for the Scranton File, 9 February 1954.

RYBAT
SECRET
PBSUCCESS